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**VIA ECFS**

Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

Re: Notice of *Ex Parte* Presentation in WC Docket Nos. 10-90; 14-58; 07-135;  
and CC Docket No. 01-92.

Dear Ms. Dortch:

On October 3, Peñasco Valley Telephone Cooperative, Inc. (PVT) met with Jay Schwarz of Chairman Pai's Office. Glenn Lovelace, CEO; Kurt Garrard, CFO; Ian Brumana, Controller; Mary Sisak, counsel; and the undersigned attended the meeting on behalf of PVT. In the meeting, PVT discussed the impact of the Budget Control Mechanism (BCM) and the Rural Growth Factor (RGF) on companies like PVT, as well as various proposals in the Commission's proceeding on Rate-of-Return reform.

PVT provided a description of its service area, highlighting the incredibly sparse population (1/2 person per square mile) and the extremely high cost associated with laying fiber (averaging \$100,000 per mile, and up to \$150,000 per mile in rocky terrain). PVT estimated it would cost approximately \$15 million to bring 25/3 service to 75% of its customers and 25/1 service to 90% of its customers. However, PVT estimated that it would cost approximately \$30 million to bring 25/3 service to 90% of its customers.

PVT discussed Attachment A and detailed the current and potential future impact of the BCM and the RGF on PVT and other carriers, if left unchecked.<sup>1</sup> PVT also discussed certain proposals in the record on how to improve the Commission's funding mechanisms and their

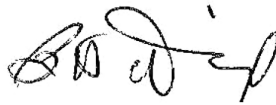
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<sup>1</sup> Attachment A.

impact on PVT. To this end, PVT strongly supported a threshold support level of 95%, as adjusted for inflation,<sup>2</sup> as it would allow the company to meet its loan obligations and to continue building out broadband. PVT also expressed support for the NTCA proposal to use a three-year trailing average.<sup>3</sup> PVT stated that the 90% threshold proposed by WTA<sup>4</sup> would only enable PVT to maintain, not expand, its network. PVT also discussed the proposals to eliminate the RGF entirely,<sup>5</sup> or to modify it to remove the line-loss factor,<sup>6</sup> and suggested freezing it at the 2016 level.

Pursuant to Section 1.1206 of the Commission's rules, a copy of this letter is being filed via ECFS. If you have any questions, please do not hesitate to contact the undersigned.

Sincerely,



Benjamin H. Dickens, Jr.

*Counsel to*

*Peñasco Valley Telephone Cooperative, Inc.*

CC: Jay Schwarz

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<sup>2</sup> Comments of the Blooston Rural Carriers, WC Docket No. 10-90, et. al., at p. 8 (filed May 25, 2018).

<sup>3</sup> Comments of NTCA-The Rural Broadband Association, WC Docket No. 10-90, et. al., at p.36 (filed May 25, 2018).

<sup>4</sup> Comments of WTA – Advocates for Rural Broadband, WC Docket No. 10-90, et. al., at p. 8 (filed May 25, 2018).at p. 3.

<sup>5</sup> Blooston Rural Carriers at p. 8-9; Comments of the Concerned Rural LECs, WC Docket No. 10-90, et. al., at pp. 2-3 (filed May 25, 2018); Comments of the Small Carrier Coalition, WC Docket No. 10-90, et. al., at pp. 2-3 (filed May 25, 2018)(proposing to eliminate the BCM and the RGF and building a new budget from the ground up).

<sup>6</sup> Reply Comments of GVNW Consulting, Inc., WC Docket No. 10-90, et. al., at p. 19 (filed June 25, 2018).

# Gross Potential Impact of RGF + BCM

High Cost Loop Support at \$647.87 NACPL

\$ 1,000,000

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
HCLS Prorata Adj Factor	82.23%	76.06%	70.36%	65.08%	60.20%	55.68%	51.51%	47.64%	44.07%	40.77%
*Trending using 7.5% annual decrease										
Adjusted HCLS \$1 Million Before Budget Control Mechanism	<b>822,269</b>	<b>760,599</b>	<b>703,554</b>	<b>650,787</b>	<b>601,978</b>	<b>556,830</b>	<b>515,068</b>	<b>476,438</b>	<b>440,705</b>	<b>407,652</b>
BCM 9%	<b>748,265</b>	<b>692,145</b>	<b>640,234</b>	<b>592,216</b>	<b>547,800</b>	<b>506,715</b>	<b>468,712</b>	<b>433,559</b>	<b>401,042</b>	<b>370,963</b>
BCM 25%	<b>616,702</b>	<b>570,449</b>	<b>527,666</b>	<b>488,090</b>	<b>451,484</b>	<b>417,623</b>	<b>386,301</b>	<b>357,329</b>	<b>330,529</b>	<b>305,739</b>



**MOSS-ADAMS** LLP

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